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Q Mountain Vista

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March 13, 2014

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Arizona Corporation Commission

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1200 West Washington Street

Phoenix, Arizona 85007

Arizona Corporation Commission

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MAR 17 2014

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Regarding: Response to Staff Report Dated March 5, 2014

Q Mountain Mobile Home Park, dba Q Mountain Vista Water,

Rate Application for a Rate Increase, Docket No. W-02518A-13-0414

Dear Sirs:

The Q Mountain Mobile Home Park HOA Board of Directors have received the Arizona Corporation Commission Staff Report dated March 5, 2014 for Rate Application Docket No. W-02518A-13-0414 and would like our comments entered into the record.

Q Mountain MHP Water Company has concerns regarding the Staff proposed rate design tier 1. Staff is proposing a rate of \$2.50 per thousand gallons of water usage for zero to 2,000 gallons monthly usage for commodity charges first tier. In September 2014, Company will be paying the Town of Quartzsite a wholesale commodity rate of \$2.37 per thousand gallons of water. That is only 13 cents per thousand gallons of water contributing to the stability of our Company in this tier. This Town commodity rate has been in place since January 1, 2011 by Resolution 10-01 set January 26, 2010. The Town is currently studying their water rate structure for rates for the next five years.

In 2012, the Company sold 3.073 million gallons of water at the tier 1 rate. At 13 cents per thousand, tier 1 water sales would contribute \$399.49 above the cost of water purchased from the Town beginning September 2014. Tier 1 water for 2012, 3.073 million gallons, is 44% of our water sales. It is conceivable by 2015 that the Company could be paying more for tier 1 water than it is charging our customers.

Q Mt. HOA Water requests that Tier 1 water consumption contribute more to the stability of the Company either by raising the Staff proposed Tier 1 rate of \$2.50 per thousand gallons to the Company proposed rate of \$3.00 per thousand gallons or allows the Company to pass through all Town increases in cost of water purchased as a surcharge.

Q Mt. HOA Water Company has concerns regarding the Staff proposed rate design Tier 3. Staff is proposing a rate of \$7.50 per thousand gallons of water for usage over 7,000 gallons per month for commodity charges third tier. Note: 7,000 gallons per month is 58 gallons per day per person for a family of four with no allowances for outside watering requirements. Company's experience with the inverted three tier commodity rate approved by Decision #72394 effective June 1, 2011 resulted in a reduction of 1.5 million gallons less sold in 2012 than 2009 in the highest tier. The Company is attributing this primarily to water conservation encouraged by the high cost of water (\$6.00 per thousand gallons) above the 8,000 gallons per month break-over point. Conservation is desirable, but the three tier rate design did not produce the desired operating revenue projected of \$29,000. It only produced \$23,000; thus no operating margin. Similarly, the Company would expect to sell less water in the Staff proposed third tier at \$7.50 per thousand for consumption above 7,000 gallons and not generate the projected commodity revenue expected by Staff of \$31,019.

Q Mt. HOA Water Company would rather see an increase in the monthly usage charge than further constrain of commodity usage for families and year round residences with minimal landscaping. Each additional \$1.00 in monthly minimum charge generates \$2,726 (using 2012 data) greatly contributing to the stability of the Company.

Q Mt. HOA Water Company has concerns regarding the analysis of Purchased Water page 6 of Staff Report and Schedule TBH-3 page 2 of 4, Section B. Non-revenue water above 10% loss plus non-revenue water for beneficial use is not considered in operating expenses, but is a contingency expense provided for by operating margin. Unfortunately Company's background water loss is significant and chronic. The Company was unable to identify these leaks using a Leak Detection Survey and many of our small bursts do not come to the surface in our sand and gravel topography for weeks or months depending on temperature. Using 2013 water loss data, the cost of non-revenue water above 10% and beneficial use at September 2014 rates would be \$6,111 (2.578 million gallons loss @ \$2.37/thousand cost) or 40% of Staff expected operating margin of \$15,303 if generated.

Company water loss is chronic and unless our distribution system is retrofitted or replaced, the Company will continue to experience significant water loss and cost of water loss; thus reducing expected operating margin and the stability of the water system. The Company would like to use some of any operating margin generated by the proposed tariff as matching funds in seeking a WIFA technical assistance grant to prepare a preliminary engineering report for replacement of our distribution pipeline and solve our water loss problem.

Thank you for your assistance.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Cheryl A. Greenstreet".

Cheryl A. Greenstreet, Treasurer for the 2014 Board of Directors